

# CALIFORNIA

# DAIRY REVIEW

Volume 1 Issue 11

Monthly

October 1997

Price Information Lines: (800) 503-3490 within California; (916) 442-MILK outside California  
Homepage Address: <http://www.cdfa.ca.gov/marketing>; Internet Address: [Dairy@cdfa.ca.gov](mailto:Dairy@cdfa.ca.gov)

## PRODUCER ASSESSMENTS TO CONTINUE AT REDUCED RATE

The Milk Producers Security Trust Fund Board held its semi-annual meeting on September 17, 1997. The Board discussed several issues at this meeting.

- The Board voted to continue transferring surplus funds to the Dairy Marketing Branch from October 1997 through March 1998. The Branch uses the surplus funds to offset operating expenses, which allows the Branch to reduce monthly producer assessments.
- The Board discussed whether milk that exceeded a plant's capacity and was processed by another plant (distressed milk) is subject to existing payment requirements. Staff advised the Board that there is no law exempting distressed milk from minimum price and timeliness of payment laws.
- Trust Fund coverage for "blended" products was discussed. "Ice cream blend" is an example of a "blended" product and includes a combination of "covered" products and the "uncovered" product, condensed buttermilk. The Board decided these types of products should be covered after the uncovered portion of the "blended" product is subtracted from the total blend. They felt this was consistent with the intent of the law.
- The Board decided to consider proposed legislation to allow coverage by the Trust Fund for producers who belong to a cooperative and whose milk is supplied to another cooperative in an effort to reduce transportation costs. Currently, if default were to occur, this milk would not be covered by the Trust Fund because the contract is with the member cooperative.

--See Trust Fund on page 3--

## CALIFORNIA MILK ADVISORY BOARD ANNUAL MEETINGS

The California Milk Advisory Board (CMAB) invites all milk producers to attend one of the annual information and nomination meetings held throughout the state. These meetings will update producers on CMAB's advertising and research activities. Also, nominations for serving on the CMAB Board will be conducted. Following is a schedule of the meetings. All are dinner meetings (except Ontario's luncheon) and will be preceded by a social hour beginning at 6:30 p.m.

- **Eureka** - Wednesday, October 22, Doubletree Hotel
- **Willows** - Thursday, October 23, Blue Gum Restaurant
- **Stockton** - Thursday, October 30, Waterloo Gun & Bocci Club
- **Turlock** - Wednesday, November 5, Our Lady of the Assumption Hall
- **Temecula** - Wednesday, November 12, Hungry Hunter
- **Ontario** - Thursday, November 13, Ontario Hilton (social hour begins at 11:00 a.m.)
- **Selma** - Tuesday, November 18, Pea Soup Andersen's
- **Visalia** - Wednesday, November 19, Visalia Convention Center
- **Penngrove** - Thursday, November 20, Green Mill

Please refer to your CMAB mail invitation or call (415) 871-6455 if you need more information.

### IN THIS ISSUE

- Class Prices and Revenue .....2
- Almond Hull Products .....3
- Vesicular Stomatitis Update .....4

## HOW CLASSIFIED PRICES ARE USED TO GENERATE REVENUE

*This is the fourth article in our series on California milk pricing.*

Milk is milk, right? So why are there different prices for milk? Milk has different values depending on how it is used. We will explain the reason for different prices in this article.

Processors pay the appropriate class prices based on how milk is used in their plant. How milk is used during the month determines how much money is available in the pool.

Classified pricing gives producers higher returns for their milk, helps find a home for all milk produced and reduces milk market instability. The classes of milk, established by the legislature, are as follows:

Class 1:	Milk used in fluid products.
Class 2:	Milk used in heavy cream, cottage cheese, yogurt, and sterilized products.
Class 3:	Milk used in ice cream and other frozen products.
Class 4a:	Milk used in butter and dry milk products, such as nonfat dry milk.
Class 4b:	Milk used in cheese, other than cottage cheese.

Each class of milk has a different value based on the products it represents. Fresh products usually command a higher price than manufactured products. Class 1 milk has the highest value because fluid milk products are highly perishable. Class 4a and 4b milk have the lowest value because butter, powder and cheese have a long storage life, therefore milk in excess of what can be used in the higher value classes is made into these products. This holds true for most food categories.

The Milk Pooling Branch uses classified prices to establish the amount of money available in the Pool. Monthly reports are received from all processing plants in the state, which describe how much milk the plants received and how the milk was used. The component prices and pounds of each component in each class are used to determine the total pool revenue. How pool prices are arrived at was explained in our September issue.

*Stay tuned next month for our fifth article on California Milk Pricing: How Classified Prices are Derived.*

California's August milk production on all farms and ranches totaled 2.4 billion pounds, up 11.3 percent from August 1996. Year to date production is up 7.7 percent. USDA's preliminary figures for U.S. August milk production is 11.3 billion pounds, up 4.4 percent from August 1996. Year to date U.S. production is up 2.1 percent.

This is the largest production increase in the last ten years. The next largest increases were June 1994 (10.9 percent) and January 1990 (10.1 percent). Monthly production increases have not dropped below 8 percent since February 1997. Total U.S. production is up largely due to western states milk production increases.

---

## QUALITY OF ALMOND HULL PRODUCTS

By Steve Wong, Chief  
Agricultural Commodities & Regulatory Services Branch  
Division of Inspection Services

The Agricultural Commodities and Regulatory Services Branch has been assisting the Almond Hullers and Processors Association (AHPA) in improving the quality of almond hulls, and almond hull and shell products which the dairy industry feed in dairy rations. In an effort to better identify the nutritional quality of these products, the AHPA is recognizing two grades of almond hull and shell:

- Number 1 Almond Hull and Shell (guarantees not more than 22 percent crude fiber)
- Number 2 Almond Hull and Shell (guarantees not more than 29 percent crude fiber)

Both of these grades are acceptable to be distributed and labeled in accordance with the California commercial feed regulations pertinent to Almond Hull and Shell. Product distributed and labeled as "Almond Hulls" may contain no more than 15 percent crude fiber and 13 percent moisture.

Dairy producers that feed almond hull products should be aware of the quality of the above and other feed ingredients to assure your animals of the level of production desired. If you have concerns about the quality of your feed, the Agricultural Commodities and Regulatory Services Branch can be reached at (916) 654-0574.

## AUGUST MILK PRODUCTION

## CALIFORNIA ALFALFA HAY SEPTEMBER SUMMARY

Demand for alfalfa hay was moderate to good throughout the state on light offerings of Premium hay. Most hay supplies were being held for sale at a later date, with buyers purchasing hay as needed. There is no evidence of supply build up. Many dairies are waiting for higher quality fall cuttings. Dairies have to compete with good export demand. Rain caught hay on the ground this month in both the Northern Mountain and the Blythe/Parker areas. In the Imperial Valley growers were moving or tarping their hay supplies, with most hay moving to the Chino Valley area. They experienced unusually large amounts of rain this month as a result of Hurricane Nora. Whitefly has also been a problem, reducing overall production. Lambs are beginning to arrive for winter grazing.

	August 1997	September 1997
Tons Sold 1/	133,900	180,535
Tons Delivered 2/	66,940	95,863

1/ For current or future delivery.

2/ Contracted or current sales.

Shown below are Premium quality alfalfa hay prices per ton, delivered to dairies, as reported by the USDA Market News Service, Moses Lake, WA.

	9/96 1/	9/12/97	9/19/97	9/26/97
Petaluma	\$148	\$160-170	\$160-175	\$165-178
North Valley 2/	\$148	\$150-170	\$150-165	\$152-168
South Valley 3/	\$141	\$145-176	\$145-155	\$155-170
Chino Valley	\$142	\$156	\$166	N/A

1/ September 1996 average of the weekly price quotations.

2/ North Valley is Escalon, Modesto and Turlock areas.

3/ South Valley is Tulare, Visalia, and Hanford areas.

For current pricing information and reports on the FOB market, you may subscribe to the California Alfalfa Hay Weekly Summary. Subscriptions are \$85 per year for a mailed report, and \$130 per year for faxed reports. Subscriptions are available from the USDA-AMS Livestock Market News Service; 988 Juniper Street; Moses Lake, WA 98837; (509) 765-3611. Weekly reports are available on the Internet at <http://www.ams.usda.gov/mnsc>.

--Trust Fund continued from page 1--

- The Board discussed Trust Fund coverage for "super" cooperatives, or marketing agencies in common (MAC). Staff advised the Board that the law provides no additional coverage for creation of MACs. Milk is covered under the contract for individual member cooperatives. If a member cooperative of a MAC has an ownership interest in a MAC's contract processors, and that processor defaults in paying the MAC for milk shipments, then any shipments by the MAC would be ineligible for coverage.
- The final issue discussed by the Board was whether or not out-of-state producers that ship milk to California processors are eligible for Trust Fund coverage. Staff advised the Board that the law clearly states milk must be produced in California to be covered by the Trust Fund.

For further information, please contact the Producer Payment Unit at (916) 654-0907 or send an e-mail to [dairy@cdfa.ca.gov](mailto:dairy@cdfa.ca.gov).

### MINIMUM CLASS PRICES

Statewide average hundredweight prices  
for the months listed

CLASS	AUG	SEP	OCT/NOV
1	\$12.56	\$12.56	\$14.49
2	\$12.70	\$12.70	\$12.54
3	\$12.60	\$12.60	\$12.44
4a	\$11.88	\$11.73	
4b	\$11.84	\$12.11	

### VESICULAR STOMATITIS UPDATE

Utah has experienced two confirmed cases of Vesicular Stomatitis (VS). Active cases continue in both Colorado and New Mexico, with most active cases infecting horses. California continues to have no cases of VS.

Entry requirements for livestock shipped from VS-infected states or from states bordering infected states, vary considerably and may be subject to change on short notice. Before shipment of any livestock, ask your veterinarian to contact the animal health authorities (State Veterinarian's Office) in the destination state or country to find out the exact requirements for entry.

For additional information, contact the Animal Health Branch of CDFA at (916) 654-1447.

**HUNDREDWEIGHT POOL PRICES**

YEAR	MONTH	QUOTA	OVERBASE
<b>1995</b>	September	12.93	11.23
	October	13.45	11.75
	November	13.62	11.92
	December	13.50	11.80
<b>1996</b>	January	13.49	11.79
	February	13.21	11.51
	March	13.15	11.45
	April	13.29	11.59
	May	13.87	12.17
	June	14.67	12.97
	July	15.10	13.40
	August	16.49	14.79
	September	16.76	15.06
	October	16.57	14.87
	November	14.42	12.72
	December	13.78	12.09
<b>1997</b>	January	13.94	12.24
	February	13.49	11.79
	March	13.59	11.89
	April	13.30	11.60
	May	12.74	11.04
	June	12.64	10.94
	July	12.78	11.08
	August	13.56	11.86

**SEPTEMBER QUOTA TRANSFER SUMMARY**

In September 1997, four dairy producers transferred 1,249 pounds of solids-not-fat (SNF) quota. There were four quota sales, averaging \$302 per pound of SNF (without cows), with an average ratio of 2.57. This compares to a total of nine quota sales, averaging \$308 per pound of SNF (without cows), with an average ratio of 2.42 for September 1996.

Please direct any comments or suggestions for future newsletters to Candace Gates at (916) 654-0905 or send an e-mail to [dairy@cdfa.ca.gov](mailto:dairy@cdfa.ca.gov).

The California Department of Food and Agriculture, Dairy Marketing Branch publishes the California Dairy Review monthly. To subscribe call (916) 654-0905.



California Department of Food and Agriculture

**Dairy Marketing Branch**

1220 N Street, Room A224

Sacramento, CA 95814

First Class  
U.S. Postage  
**PAID**  
Sacramento, CA  
Permit No. 81